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Dear Mick

**Importer Verification Report - BHP**

We refer to the Anti-Dumping Commission's (**ADC**) investigation into railway wheels imported from China and France.<sup>1</sup> BHP has sought to assist the ADC with its investigation and appreciates that much of the information provided by BHP is technical and / or spans a significant period of time, and therefore, the ADC might be assisted by a summary of this information. This summary follows below at sections 1, 3 and 4 together with some additional information which, on preparing the summary, BHP considered of relevance to the ADC's investigation (see in particular sections 2 and 5). XXXXXXXX  
XX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX [confidential supplier information].

We hope that this information is of assistance. Please contact us if you require any additional information.

Yours sincerely,

BHP

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<sup>1</sup> Investigation '466 Railway Wheels'.

## 1. Chronology of key events

Date	Event
Approx. 1990 to 1996	Comsteel the sole supplier of railway wheels to BHP.
Approx. 1996	Comsteel suspended due to quality issues, Valdunes sole qualified supplier of wheels.
Approx. 1998	Comsteel reinstated as an approved supplier to BHP, alongside Valdunes. Comsteel changes manufacturing process to use a fluted ingot aiming to improve steel cleanliness. Unfortunately variation in steel cleanliness continued with Comsteel wheels. BHP continued to work with Comsteel seeking to address these issues and Comsteel subsequently introduced a number of different QA/QC control changes including improved Non Destructive Testing processes. As evident by the wheel breakages below, these changes have been unsuccessful
2010	Masteel pre-approved as supplier alongside Comsteel and Valdunes.
13 Jan 2016	Comsteel wheel breaks, cause subsequently identified as non-metallic inclusions in steel shelled out ( <b>non-metallic inclusions</b> ).
2 Feb 2016	Comsteel wheel breaks, cause subsequently identified as non-metallic inclusions.
10 Feb 2016	BHP purchases XXXXX wheels from Comsteel. This was the first order of Comsteel wheels since 11 November 2013. BHP was conducting detailed forensic testing of failed Comsteel wheels. At this stage the Comsteel product was still believed to be fit for purpose. It can take two to three months to arrange and complete forensic testing and report of the results. Further, one investigation and report is not usually sufficient to conclude where the fault lies.
22 July 2016	BHP purchases XXXXX wheels from Comsteel. BHP was conducting detailed forensic testing of failed Comsteel wheels. At this stage the Comsteel product was still believed to be fit for purpose.
Sept 2016	Commenced tender to pre-approved suppliers for 6,000 wheels for the remaining part of 2017.
9 Dec 2016	Valdunes successful bidder and awarded XXXXX wheels from September 2016 tender. Purchase order for the first XXXXX wheels from this order was placed on this date. Second Purchase order for the remaining XXXXX wheels was placed on XXXXXXXXXXXX.
7 May 2017	Comsteel wheel breaks, cause identified as non-metallic inclusions.
Sept 2017	Commenced tender to pre-approved suppliers for the maximum 10,000 required wheels for the remainder of the 2018 financial year. Valdunes were subsequently excluded from consideration because it had changed its steel input sourcing and the new arrangement was being reviewed before its pre-qualification could be reinstated.
Early Oct 2017	Masteel and Valdunes (subject to pre-qualification being re-instated) considered preferred suppliers in quality terms due to Comsteel wheel breakages. BHP start to consider and implement the changes (finally implemented in November 2017) to process and operations to address Comsteel quality issues.

Date	Event
Oct 2017	Masteel successful bidder from September 2017 tender and purchase order for the XXXXX wheels was placed on XXXXXXXXXXXX. BHP did not need to specifically consider or refer to quality concerns re Comsteel wheels as their price was not competitive. XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXX [confidential supplier information].
Nov 2017	XXX XXX XXX XXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX. [confidential information on wheel operational issues].
19 Dec 2017	Comsteel wheel breaks, cause identified as non-metallic inclusions.
23 Jan 2018	Comsteel wheel breaks, cause still pending.
16 Feb 2018	Comsteel wheel breaks, cause identified as non-metallic inclusions.
July 2018	XXXXXXXXXXXXXXXXXXXX [confidential supplier information].

**2. Description of goods the subject of Comsteel’s application**

The application was commenced in relation to ‘*Forged and rolled steel, high hardness, nominal 38-inch (or 966mm to 970mm diameter) railway wheels, whether or not including alloys*’ (axles and other components are excluded from the goods coverage).

BHP considers this description to not adequately describe the wheels prescribed by its specification for the following reasons:

- (a) the wheels the subject of the application are generic wheels and the description does not meet BHP’s specification (XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXX  
XXX [confidential opinion on suppliers meeting wheel specifications];
- (b) whilst the axles and other components are excluded from the description, the *axles loads* specified by BHP are a key aspect of the wheels purchased by it because they directly impact the specific wheel design. For example, as the axle load increases, the wheel designer will need to review such items as wheel steel materials, thickness of material in high stress areas, wheel geometry, changes in thermal loading under braking, condemning diameter, and FEA analysis to ensure that the wheel has the required safety factor to prevent the wheel failing in service. A wheel designed for higher tonne axle loads will differ in many ways to a wheel designed for lower axle loads and one is not a substitute for the other; and
- (c) BHP expects that each purchaser of railway wheels for use on iron ore carriages has their own specific requirements and that the wheels are not substitutes for each other.

To include wheels purchased by BHP pursuant to its contracts with Comsteel, Masteel and Valdunes the description should be ‘*Ore car wheel, XXXmm diameter to BHPB IO Specification 076-M-0048\_10 and BHPB IO drawing number 076-M-00781. Tread profile to drawing number 076-M-1012\_3*’.



